

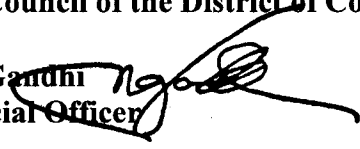
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: May 20, 2009

SUBJECT: Fiscal Impact Statement – “Studio Theatre Housing Property Tax Exemption and Equitable Tax Relief Act of 2009”

REFERENCE: Bill Number 18-204, As Introduced

Conclusion

Funds are not sufficient in the FY 2009 budget and the proposed FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The proposed legislation would reduce property tax collections by \$162,542 in FY 2009 and by approximately \$262,000 over the FY 2009 through FY 2013 financial planning period. Implementation of the proposed legislation is subject to the inclusion of its fiscal effect in an approved budget and financial plan.

Background

The proposed legislation would amend Chapter 46 of Title 47 of the D.C. Official Code to exempt indefinitely certain real property owned by the Studio Theater, a non-profit organization corporation, so long as it is owned by Studio Theater and used for housing in support of the non-profit activities of the theater.¹ The following properties would be exempt from real property taxation under the proposed legislation: Lot 208 in Square 155; Lots 2061, 2073, 2083, 2164, 2253, and 2300 in Square 157; and Lot 94 in Square 179.

The real property tax exemption would also apply retroactively to January 1, 2005, and any real property tax payments made during this time period, including interest, penalties, fees and other related charges, would be refunded. Finally the proposed legislation would also forgive the recordation tax paid by the Studio Theater on the above-mentioned properties during this period.

¹ More information is available at <http://www.studiotheatre.org/>.

Financial Plan Impact

Funds are not sufficient in the FY 2009 budget and the proposed FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The proposed legislation would reduce property tax collections by \$162,542 in FY 2009 and by \$262,047 over the FY 2009 through FY 2013 financial planning period. The table below presents the detailed calculation of the fiscal impact of Bill Number 18-204.

Estimated Fiscal Impact FY 2009 Budget and the Proposed FY 2010 — FY 2013 Budget and Financial Plan						
	FY 2009	FY 2010	FY 2011^c	FY 2012^c	FY 2013^c	5 Year Total
Refunds for FY 2005 through FY 2008 ^a	\$95,715	\$0	\$0	\$0	\$0	\$95,715
Property Tax Liability ^{b d}	\$30,855	\$26,821	\$25,480	\$24,206	\$22,996	\$130,360
Recordation Tax	\$35,972	\$0	\$0	\$0	\$0	\$35,972
Total Abatement	\$162,542	\$26,821	\$25,480	\$24,206	\$22,996	\$262,047
Negative Fiscal Impact	\$162,542	\$26,821	\$25,480	\$24,206	\$22,996	\$262,047

^a Includes all tax payments, including real property taxes, fees, interest, and penalties, paid during FY 2005 through FY 2008.

^b All lots are classified as residential properties (Class 1) and taxed at a rate of \$0.85 for every \$100 of the assessed value.

^c Given the neighborhood trends, the value of the property is expected to decline by 5 percent in FY 2011 and FY 2012.

^d Includes interest, penalties, and fees owed in FY 2009.

Additionally, because the real property tax exemption would apply indefinitely, the proposed legislation would continue to have a fiscal impact beyond the financial plan period. Between FY 2014 and FY 2024, for example, the proposed legislation would reduce the property tax collections by an additional \$286,620, bringing the total reduction in revenues to \$525,505.

Estimated Fiscal Impact FY 2014 – FY 2024		
Year	Fiscal Impact*	Cumulative Fiscal Impact
FY 2014	\$22,996	\$261,881
FY 2015	\$22,996	\$284,877
FY 2016	\$23,686	\$308,563
FY 2017	\$24,397	\$332,959
FY 2018	\$25,128	\$358,088

FY 2019	\$25,882	\$383,970
FY 2020	\$26,659	\$410,629
FY 2021	\$27,459	\$438,087
FY 2022	\$28,282	\$466,369
FY 2023	\$29,131	\$495,500
FY 2024	\$30,005	\$525,505
Total FY 2014 – FY 2024	\$286,620	

* The calculations assume the property values will remain constant through 2015 and then grow by approximately 3 percent annually on average.